

P/2167-230

SYSTEM AND METHOD FOR CHECK

EXCEPTION ITEM NOTIFICATION

CROSS-REFERENCE TO RELATED APPLICATIONS

5           This application claims priority to provisional application number  
60/190,176 filed March 17, 2000 entitled **DISBURSEMENT EXCEPTION**  
**IMAGES**, the entirety of which is hereby incorporated by reference.

BACKGROUND OF THE INVENTION

Field of the Invention

10           The present invention generally relates to a system and method for processing  
checks and, more particularly, to a check exception item notification system and  
method which provides a client with notification of exception items through e-mail.

Description of the Related Art

15           The financial services industry has long provided its customers with the  
ability to write checks and similar negotiable instruments. In current practice, a  
payor (e.g., a client of a bank or financial institution) writes a check representing an  
amount to be deducted from the payor's account. The check is given to a payee.  
Checks are normally presented for payment by the payee to the payee's banking  
institution (the "payee bank"). In turn, the payee bank presents the check to the

payor's bank for payment. The payor's bank then pays the payee bank, and deducts the amount of the check from the payor's account, against which the check is drawn.

In order to prevent fraud and/or mistakes, most banks with large institutional clients offer these clients a service known as check exception processing. Large  
5 institutional banking clients issue a significant volume of checks on a daily basis. For example, an insurance company might issue several thousand checks in a single day in the course of processing insurance claims. The client provides the bank with a file listing information of all of the checks that it has issued (an "issue file") to payees. In performing the exception processing, the bank compares the checks issued by  
10 these clients with the checks that are presented for cashing by the payee bank.

When the payor bank receives a request for payment from the payee bank with respect to a check presented by a payee, the payor bank will then compare the information on the presented check with the issue file using, for example, the magnetic ink character recognition ("MICR") line. When a check is issued by a  
15 payor, a MICR line is usually added to the check and includes the check number and the payor account number. When the payor bank processes this check, the amount of the check is also added to the MICR line. If the payee check matches with a check in the issue file, (e.g., if the amounts, and check numbers match) the payor bank has confidence that the presented check is valid and pays the payee's bank. If the payee's  
20 check does not match any item in the issue file, the payee check is labeled an "exception item". Each business day, the payor bank provides the client of the

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exception service with a list of the exception items and inquire as to whether the client is interested in paying each exception item.

Prior art methods for actually notifying clients of exception items have not satisfied the needs of clients who have large numbers of checks written each day.

5 For example, typical prior art notifications include CD-ROMs containing exception check images or reports, digital image microfilm, dial-in online access using bank proprietary software, facsimile, telephone, paper, tape and transmission index reports. Some systems allow the bank's client to connect to the bank system electronically through a network such as the Internet and view exception items.

10 In most of these network connections, the list of exception items is "dirty" or "unscrubbed" in that the items are typically the result of an electronic mismatch and not reviewed by bank personnel before the clients are allowed to view the exception items. This means that the exception list may include mis-encoded items, duplicate items, or items with stop payment instructions already on file. Mis-encoded items  
15 include checks where an operator keyed in the incorrect dollar amount or check serial number in the MICR line even though the dollar and check serial number fields on the face of the check are correct. In addition, in most prior art systems, the exception client is not shown an image of the exception check. Such an image must be requested separately and so the exception client typically does not have enough  
20 information to determine whether to authorize or decline payment of the check.

Therefore, none of these prior art methods and systems can satisfactorily handle the massive influx of checks and exception items produced daily by large institutions. Nor can these prior art systems handle the need of large institutions to have a list of "true" suspect items (i.e. an exception list that is "clean" or "scrubbed" to remove mis-encoded items, duplicate paid items, and items with stop payment instructions on file). Moreover, prior art systems do not provide corresponding gray-scale images of check exception items so that the client has all available information to make an accurate determination as to whether to authorize or decline payment of an exception item.

Further, in the systems where a form of media is sent to the client, there is necessarily a delay between the production of an exception item, and notification of that exception item to a client. A defined period of time must pass before a bank ceases gathering exception items to be included in the media (e.g., CDROM, paper, etc.) and subsequently sent to the client. Thereafter, the media must be physically sent to the client thereby incurring further delays. Finally, there may be a delay in the client's response as to whether the exception item should be paid. Such delays are undesirable because banks must meet a deadline established by the U.S. Federal Reserve Bank ("Fed") to submit all "return" items (those items identified by the client as suspect or fraudulent) that should be sent to the payee bank for credit. Clearly it is desirable to provide client's of the payor bank with as much time as possible to determine why a particular item is an exception item.

Therefore, there exists a need in the art for a system and method of providing clients with notification of check exception items which is faster, more efficient, and easier to use than the techniques of the prior art.

### SUMMARY OF THE INVENTION

5           A system mainframe receives and compares issue and presentment files with one another to produce a list of exception or "suspect" items. The comparison can include, for example, a comparison of account numbers, check numbers, and check amounts. A processor then obtains images for checks which are associated with the exception items. The exception items are cross-referenced with a database of clients  
10 of the system to produce an exception file relating to clients of the system. The exception file for clients of the system and images of the checks corresponding to the exception items in the exception file are fed to a server. The server produces a Web file (including the exception item description and the corresponding images) and corresponding uniform resources locator ("URL") to address the web file. Each URL  
15 is unique to both the individual e-mail address and file so that two individuals do not access the same web page even if the exception information sent to these two individuals is identical (for example, two individuals within the same company which receive exception notification for the same account). Moreover, the URL is changed each time a new web file is generated.

20           The server also produces an e-mail notifying the exception client of the exception item. The e-mail includes a hyperlink to the created URL. In operation,

the exception client receives the e-mail, links to the Web file through the use of the hyperlink, and quickly accesses the Web file. Once connected with the Web file, the exception client authenticates with the server and authorizes or declines payment of the exception item. Due to deadlines imposed by the FED, if a client does not  
5 submit a processing instruction (e.g. "pay" or "return") within a negotiated deadline, a default instruction will be used. The web files are set to expire at a preset time every business day so as to prevent access after the negotiated deadline.

Thus, a faster, more efficient, and easier to use system and technique is available than systems and techniques of the prior art.

10 These aspects, as well as others, will become apparent upon reading the following disclosure and corresponding drawings.

#### BRIEF DESCRIPTION OF THE DRAWINGS

For the purpose of illustrating the invention, there is shown in the drawings a form which is presently preferred, it being understood, however, that the invention is  
15 not limited to the precise arrangements and instrumentalities shown.

Fig. 1 is a diagram of a check exception item notification system in accordance with the invention.

Fig. 2 shows an example of an e-mail generated in accordance with the invention.

Fig. 3 shows the contents of a typical Web file used in accordance with the invention.

Fig. 4 is a diagram of an image file created in accordance with the invention.

#### DETAILED DESCRIPTION OF THE PREFERRED EMBODIMENT(S)

5 Referring to Fig. 1, there is shown a check exception item notification system 20 in accordance with the invention. An issue file 24 relating to payor checks and a presentment file 22 relating to presented checks submitted by payees requested for cashing against accounts of clients of a financial institution using system 20, are both sent to a system mainframe 26.

10 System mainframe 26 compares presentment file 22 and issue file 24 with each other to produce a list of exception items 28. The comparison could include, for example, a comparison of account numbers, check amounts, and check numbers in issue file 24 with items presented for payment in the presentment file 22.

Mainframe 26 could also review issue dates of checks in the presentment file to  
15 determine if checks presents are "stale" (e.g. more than a specified number of days past the issue date, such as 180 days past the issue date). Additionally, mainframe 26 could review the amount of a check presented to see if it is beyond a particular dollar value and so would merit review by a client based on parameters set during service implementation.

When a comparison of issue file 24 and an item presented in the presentment file 22 do not match, an exception item is created. Such an exception item could be a pointer pointing to the representation of the check in the presentment file 22 that did not match the corresponding representation of the check in the issue file 24.

- 5 Alternatively, the exception item could be a copy of the item in the presentment file. System mainframe 26 produces an exception file 28 of these exception items.

Exception file 28 is sent to an image archive processor 30 which performs an image matching process using data from presentment file 22 to produce images corresponding to each exception item thereby producing an image exception file 34.

- 10 Each image can then be shown to a client 112 of a bank using system 20 to assist the client 112 in determining whether to authorize or decline payment of the exception item. Image archive processor 30 can be, for example, an image distribution and support system such as the MIDAS (Multi-processing Image Distribution and Support System) owned by J.P. MORGAN CHASE & COMPANY. The images can  
15 be in, for example, a JPEG (Joint Pictures Experts Group) format, an ABIC (Adaptive Bi-Level Image Compression) format, or a TIFF (Tagged Image File Format) file.

A scrubbing system 36 may be used to review image exception file 34 for accuracy and select only "true" exception items to remain in image exception file 34.

- 20 For example, an operator of scrubbing system 36 can determine if an error occurred in a field in the MICR line of the presented check due to a mistake in manual entry,  
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if there is a stop payment on file, or if the check was already presented for payment. The operator can then prevent the exception item from being sent to a client thereby ensuring that the client need only review "true" exception items that the financial institution using system 20 needs verification of validity. Scrubbing system 36 also  
5 refers to a database 32 to determine clients participating in system 20. Those clients who do not participate in system 20 will receive a notice of the exception items through conventional methods (e.g. facsimile, mail, etc.) as is shown at 35. The scrubbing process 36 then outputs a client image and exception file 38 which includes exception items and corresponding images for clients who participate in  
10 system 20.

Client image and exception file 38 is fed through an electronic commerce gateway 40 and a firewall 42 to an integrated messaging exchange (hereinafter "IME") server 44. Electronic commerce gateway 40 prepares exception image file 38 for delivery through IME server 44 by converting the file to XML (Extensive  
15 Markup Language) format. IME server 44 can be, for example, a TUMBLEWEED COMMUNICATIONS IME server made by TUMBLEWEED COMMUNICATIONS, INC. IME server 44 generates a Web file 50 (described more completely below with reference to Fig. 3) and a corresponding Uniform Resources Locator (hereinafter "URL") to address Web file 50. This URL is  
20 designed so as to be unique for each client of check exception item notification system 20 so that only a particular client can access the Web file 50 including check

exception items relating to that particular client. The URL is unique to both the individual e-mail address and the file so that two individuals do not access the same web page even if the exception information sent to these two individuals is identical (for example, two individuals within the same company which receive exception  
5 notification for the same account, receive a distinct URL). Moreover, the URL is changed each time a file is generated.

As is known in the art, the URL can be entered into any standard Web Browser and used to navigate through the Internet and make a connection with Web file 50 through IME server 44. Examples of typical Web Browsers include  
10 NETSCAPE NAVIGATOR, NETSCAPE COMMUNICATOR and MICROSOFT INTERNET EXPLORER. The Web file 50 is stored on IME server 44. IME server 44 thus may be any computer device capable of providing Web page HTML and/or JAVA data to a requesting device.

IME server 44 further generates an e-mail file 46 that is sent to each  
15 exception client using a two-way communication channel that is secured using software such as that produced by TUMBLEWEED CORPORATION. E-mail file 46 can contain a hyperlink to the unique URL created for the particular exception client. Referring to Fig. 2, there is shown an example of an e-mail file 46 that is sent to an exception client. As is shown in the figure, e-mail file 46 includes a message  
20 47 notifying the client of the exception item and a hyperlink 48 including the URL defined for Web file 50 to allow the exception client to quickly access Web file 50.

In the event that a client does not have any exception items for the day, the client will receive an e-mail stating "you have no exception items today" in the subject line. Such an e-mail will not include hyperlink 48.

Referring again to Fig. 1, IME server 44 sends e-mail file 46 through a  
5 network 52 to an exception client 112. Network 52 can be, for example, the Internet, a value added network ("VAN"), or a corporate Intranet. Exception clients 112 of system 20 can access e-mail 46 using any known e-mail accessing device. For example, clients 112 can access e-mail 46 through a computer terminal 54, a computer terminal 55 coupled to another network 57 that is in turn coupled to  
10 network 52, a stand alone Web access terminal 56, a palmtop computer 58, a personal digital assistant 60, a personal Internet appliance ("PIA", not shown), a cellular telephone (not shown), a mailstation (not shown), a mass marketed Internet device like WEBTV (not shown), or any other type of Internet appliance. Other devices which can receive e-mail only could also be used (e.g. a telephone with text  
15 messaging capabilities or a pager) to access e-mail file 46.

Once the exception client 112 receives e-mail 46 and is notified of the exception item (or items), the exception client has the option of quickly accessing information regarding the exception item. Exception client 112 can access Web file 50 including such information stored on IME server 44 through any known method  
20 for accessing a file over a network. For example, exception client 112 can use the same one of the e-mail access devices mentioned above. Any one of these devices

could be used to connect over network 52 to thereby access Web file 50 stored on  
IME server 44. When attempting to access Web file 50, exception client 112 is first  
prompted to enter a unique password assigned to the exception client by a financial  
institution using check exception item notification system 20. Upon successful  
5 authentication, exception client 112 is presented with the contents of Web file 50. If  
the client fails to correctly authenticate itself with system 20, an error message is  
displayed and the client will not be able to view exception information.

For example, the exception client 112 can use computer terminal 54 to  
receive e-mail 46 referencing the exception item and including hyperlink 48. The  
10 exception client 112 can quickly actuate link 48 to navigate through network 52 to  
IME server 44 and access Web file 50. The exception client can view the exception  
items (as detailed below) and provide authorization to pay or decline payment for  
each exception item.

Fig. 3 shows a typical Web file 50 created in accordance with the invention.  
15 As stated above, Web file 50 includes a list of client exception items for a particular  
exception client. This list can include any type of check exception item indicia.  
These indicia can be, for example, those shown in Fig. 3. An account section 62  
indicates the account number of the exception client. A check number section 64  
indicates the check number of the exception item. An amount section 66 indicates  
20 the amount of the exception item listed on the payor's check. An image file section  
68 provides links to image files containing images of the exception items. A

decision section 70 lists authorization or decision options for the exception client relating to the exception item. Image file links 72 allow the exception client to view an image of the exception item. A pay all button 74 allows the exception client to authorize payment of all of the displayed exception items simultaneously. A return  
5 all button 76, allows the exception client to decline payment of all of the displayed exception items simultaneously. A submit button 78 allows the exception client to submit the choices made in the decision section 70 to IME server 44.

In use, exception client 112 reviews the contents of the exception items listed in Web file 50. Once the exception client opens Web file 50, a SMTP (Simple Mail  
10 Transfer Protocol) notice is sent from IME server 44 to electronic commerce gateway 40 informing electronic commerce gateway 40 that the exception client has accessed Web file 50. For each exception item, the exception client 112 has a choice under decision section 70 to authorize payment of the check ("pay") or decline payment of the check ("return"). The exception client 112 selects either "pay" or  
15 "return" for each one of the exception items listed. Once a decision has been made for all exception items, the exception client then clicks submit button 78 to send all decisions on the displayed page to electronic gateway 40. Each page is generally submitted individually. Clicking on submit button 78 will generate a prompt (not shown) inquiring as to whether the exception client is sure of her decision. When the  
20 exception client indicates that he is sure of his decision, processing continues. Actuation of submit button 78 will create a file of only those items to which the

exception client has responded. If the exception client does not provide a decision to all of the exception items (i.e. a "partial submission") all other exception items that have not been replied to will remain in Web file 50 and will appear again if the URL is later accessed. Conversely, those exception items for which the exception client  
5 does provide a decision, are removed from Web file 50.

If the exception client desires, the exception client can choose to pay all of the exception items displayed on the current page of Web file 50, by clicking on the pay all button 74. Alternatively, the exception client can decline payment of all of the displayed exception items by clicking on the return all button 76.

10 If any return decision is selected by the exception client with respect to an exception item (i.e. return for an individual exception item or use of the return all button 76), a drop down list 79 containing predefined reasons for the rejection is displayed from which the exception client 112 may choose. Return list 79 could include, for example, "refer to maker", "duplicate item", "check stopped", "stale  
15 date", and "suspect item" choices. A suspect item is a check that does not correspond to standard parameters to which checks of the exception client usually conform. If no reason is selected, an error page notice is generated by IME server 44 informing the client that a return reason should be selected prior to submission of the decision.

If exception client 112 would like to view the check corresponding to a  
20 particular exception item, the exception client can click on one of the images file

links 72. Clicking on one of these links will bring the exception client to an image file 80, stored on server 44, corresponding to a particular exception item. Referring to Fig. 4, image file 80 includes an image 82 of the check front and an image 84 of the check back of the submitted payor check corresponding to the particular  
5 exception item. The exception client 112 can review the check images 82, 84 and decide whether to authorize payment of the exception item. A click on a pay button 86 allows the exception client to authorize payment of the check whose image is displayed and a click on a return button 88 allows the exception client to refuse payment of the check whose image is displayed. Once the exception client 112 has  
10 made the decision, web file 50 is updated with the selected decision for the image file 80.

All decisions made and submitted by the exception client (hereinafter generally referred to as "decision files") are received and processed by IME server 44 and then sent to electronic gateway 40. IME server 44 can periodically (e.g.,  
15 every hour from 8:00AM to 1:30PM and then every five minutes between 1:30PM and 2:00PM) send created decision files to electronic gateway 40.

Each decision file has the exception client's account number and the date. If the exception client submitted a partial submission, IME server 44 holds the decision file until the submission is completed or until a designated time (e.g. 2:00 PM)  
20 during the business day. After that designated time, all decision files, regardless of whether they are partial submissions or not, are sent to electronic gateway 40. At a  
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desired time during the day (e.g. 3:30PM), the unique URL assigned to the exception client for Web file 50 can be set to be invalidated or expire so that the link is no longer available. Alternatively, the URL can be set to remain valid for a plurality of days. IME server 44 can be programmed to send an e-mail to electronic gateway 40  
5 indicating clients who have not accessed Web file 50 by a certain time during the day (e.g. 1:30 PM). System mainframe 26 will periodically pick up decision files from electronic gateway 40, process the return files and pay or decline the payee bank accordingly.

The exception client 112 is instructed by an institution employing check  
10 exception item notification system 20 to approve or disapprove each exception item on a current business day no later than an established decision deadline. If the exception client fails to provide electronic commerce gateway 40 with a decision prior to that deadline, a default decision of either "pay" or "return", depending on the client's service agreement, will be entered.

15 Although a plurality of processors (e.g., mainframe 26, processor 30, gateway 40, etc.) are shown, clearly it is within the scope of the invention to have most or all processing performed in a single processor.

Thus, by providing an exception client with a prompt notification of exception items via e-mail, and allowing the exception client to view information  
20 and images relating to the exception items in a Web file through a uniquely defined



URL, a faster and more efficient exception check item notification system is possible than that available in the prior art.

While preferred embodiments of the invention have been disclosed, various modes of carrying out the principles disclosed herein are contemplated as being  
5 within the scope of the following claims. Therefore, it is understood that the scope of the invention is not to be limited except as otherwise set forth in the claims.

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